## Volume 2 – Contents

| CHAPTER 1 – INSTITUTIONAL ELIGIBILITY   | 2-1           |
|---|---------------|
| The Three Definitions of Eligible Institutions  | 2-1           |
| Institutional Control   |               |
| Type and Control of Eligible Institutions   |               |
| Eligible Institution  | 2-3           |
| Legal Authorization by a State  | 2-3           |
| Accreditation   |               |
| Alternatives to Accreditation   | 2-4           |
| Primary accreditor, Dual accreditation, Admissions Standards                              |               |
| Admissions Standards  | 2-5           |
| High school diploma, Recognized equivalent of a high school diploma,                      |               |
| Criteria for ability-to-benefit and home school students                                  |               |
| "Two-Year" Rule   | 2-6           |
| Additional Institutional Eligibility Factors  | 2-7           |
| Demonstrations of compliance, The 90/10 Rule, Correspondence course                       |               |
| and correspondence student limitation, Incarcerated student limitation,                   |               |
| Limitation on students admitted without HS diploma or equivalent,                         |               |
| Bankruptcy, Crimes involving FSA program funds  |               |
| Foreign Schools Eligible for FFEL Programs  | 2-12          |
| CHAPTER 2 – APPLYING FOR PARTICIPATION IN   |               |
| THE FSA PROGRAMS  | 2 <b>-</b> 13 |
| Applying to Participate   |               |
| The Electronic Application (E-App), Applying for initial certification                    |               |
| as a participating school, Applying for reinstatement after voluntary withdrawal,         |               |
| Applying for reinstatement after termination or preemptive withdrawal                     |               |
| Eligibility During Review Period and after Approval                                       | 2-15          |
| Effective date for participation (if approved), Beginning to disburse funds (if approved) |               |
| Provisional Certification   | 2-16          |
| Revoking provisional certification  |               |
| Other Requirements  | 2-18          |
| FSA Administration training requirement, Application fees prohibited                      |               |
| The Program Participation Agreement   | 2-20          |
| Purpose and scope of the PPA, Expiration or termination of the Agreement                  |               |
| Contents of the Program Participation Agreement   | 2-21          |

| CHAPTER 3 – GENERAL PARTICIPATION REQUIREMENTS   | 2-25               |
|--|--------------------|
| Contracts with Third-Party Servicers   |                    |
| Excluded functions, Requirements for contracting with a third-party servicer,            |                    |
| Notifying the Department of contracts  |                    |
| School Lender in the FFEL Program  | 2-28               |
| Incentive Compensation   | 2-29               |
| Adjustments to employee compensation, Enrollments in programs that are not               |                    |
| eligible for FSA funds, Contracts with employers to provide training,                    |                    |
| Profit-sharing or bonus payments, Compensation based upon program completion,            |                    |
| Pre-enrollment activities, Managerial and supervisory employees, Token gifts,            |                    |
| Profit distribution, Internet-based activities, Payments to third parties for            |                    |
| non-recruitment activities, Payments to third parties for recruitment activities         |                    |
| Prohibited Activities in the Loan Programs   |                    |
| Programs to Prevent Drug & Alcohol Abuse   | 2-34               |
| Drug & alcohol abuse prevention programs, Drug-Free Workplace requirements               |                    |
| for Campus-Based schools   |                    |
| Anti-Lobbying Certification and Disclosure   |                    |
| Reporting Information on Foreign Sources and Gifts                                       | 2-37               |
| Who must report, Timing of submission, Information to be reported,                       |                    |
| Alternative reporting  |                    |
| General Requirements   | 2-39               |
| Voter registration, Preparatory programs for students without                            |                    |
| high school diploma or equivalent  |                    |
| CHAPTER 4 –PROGRAM ELIGIBILITY   | 2-41               |
| Program Eligibility Requirements   | 2-41               |
| Determination of program eligibility   |                    |
| Types of eligible programs at an institution of higher education                         |                    |
| Types of eligible programs at a proprietary or postsecondary vocational institution      |                    |
| Additional Eligibility Requirements  | 2-44               |
| ACG and National SMART Grant programs, ESL programs,                                     |                    |
| Direct Assessment programs, Study abroad programs, Flight school programs                |                    |
| Clock Hour/Credit Hour Conversions in Determining Program Eligibility                    | 2-47               |
| Formulas for clock/credit hour conversion,   |                    |
| Credits approved by state and accrediting agencies                                       |                    |
| CHAPTER 5 – UPDATING APPLICATION INFORMATION   | 9_49               |
| Recertification  |                    |
| Change in Ownership of For-Profit and Nonprofit Institutions                             |                    |
| Changes at public institutions, Change in ownership that results in a change of control, |                    |
| or governance, Change in ownership for closely-held corporations,                        | - 3. 3. 5. 5. 6. 7 |
| Change in ownership for publicly traded corporations, Change in ownership                |                    |
| for corporations that are not closely held or registered with SEC                        |                    |
| Changes in Ownership Interest and 25% Threshold  | 2-52               |
|  |                    |

| Steps to be Taken During Change in Ownership  | 2-54       |
|---|------------|
| Steps to be taken by former owners, Steps to be taken by prospective owners,                    |            |
| Accepting liabilities and responsibility for return of funds, Payments to eligible students,    |            |
| Temporary Approval for Continued Participation  | 2-56       |
| Substantive Changes and How to Report Them  |            |
| Approval required from accreditor & state agency,   |            |
| Notification of school closure or bankruptcy  |            |
| Adding Locations  | 2-61       |
| Eligibility of additional locations, Reporting a new location,                                  |            |
| Applying for approval of a new location   |            |
| Adding programs   | 2-63       |
| Adding a program—when a school may make eligibility determinations,                             |            |
| ED must approve all other added programs, Maximum percentages of                                |            |
| correspondence courses, students admitted without HS diploma or equivalent,                     |            |
| and incarcerated students   |            |
| Changing the Status of a Campus or Branch   | 2-64       |
| Changing from a non-main campus to a branch campus,   |            |
| Changing from a branch campus to a freestanding main campus                                     |            |
| Changes in Accreditation  | 2-65       |
| Loss of accreditation, Change in institution-wide accreditation,                                |            |
| Changing to accreditation by more than one institution-wide accrediting agency                  |            |
|   |            |
| CHAPTER C DROWDING CONCLINED INCODMATION  | 0.05       |
| CHAPTER 6 – PROVIDING CONSUMER INFORMATION  |            |
| Basic Consumer Information Requirements   | 2-68       |
| Financial aid information, General information about the school,                                |            |
| Consumer information from the Department  |            |
| Graduation & Completion Rates (Student right-to-know disclosures)                               |            |
| Reporting information on completion or graduation and transfer-out rates to the Departn         |            |
| Disclosing and reporting information on completion or graduation and transfer-out rates         |            |
| the general student body cohort, Reporting completion/graduation rates for student athle        |            |
| Disclosing the rates for student athletes, Reporting the rates for student athletes, Supplement | entai      |
| information   | 2.74       |
| Equity in Athletics (Participation Rates & Support for Athletic Programs)                       | 2-/4       |
| Disclosure of the report, Contents of the Equity in Athletics/EADA Report                       | 2.76       |
| Loan Counseling   | 2-/6       |
| Providing borrower information at separation, Exit counseling follow up,                        |            |
| Counseling for correspondence and study abroad students   |            |
| Drug and alcohol abuse prevention information   | 2-82       |
| Information to be included in drug prevention materials,  |            |
| Distribution of materials to all students and employees   |            |
| Misrepresentation   | 2-83       |
| Definition of misrepresentation   | <b>.</b> - |
| Campus Security   | 2-85       |
| Compiling & reporting campus security policies and crime statistics,                            |            |
| Distribution of the annual security report  |            |

| CHAPTER 7 – WRITTEN AGREEMENTS BETWEEN SCHOOLS   | . 2-89 |
|--|--------|
| Consortium Agreement   | 2-90   |
| Elements of a consortium agreement   |        |
| Contractual Agreement  |        |
| Study Abroad or Domestic Exchange Programs   | 2-92   |
| Students in approved study abroad programs are entitled to FSA   |        |
| CHAPTER 8 – DISTANCE EDUCATION   | . 2-93 |
| Telecommunications Courses   |        |
| Correspondence Courses   |        |
| Definition of correspondence course, School eligibility: limits on correpondence courses and                               |        |
| correspondence students, Exceptions and other considerations   |        |
| CHAPTER 9 – RECORDKEEPING AND DISCLOSURE   | . 2-99 |
| Required Records   |        |
| Program Records, Fiscal records, Loan program records,   |        |
| Records of the schools administration of the FSA programs  |        |
| Record Retention Periods   | .2-104 |
| Record Maintenance   | .2-104 |
| Acceptable formats, Special requirements for SARs and ISIRs  |        |
| Examination of records   | .2-106 |
| Location, Cooperation with agency representatives, Timely access   |        |
| FSA recipient information, Reasonable access to personnel  |        |
| Privacy of Student Information (FERPA Rules)   | .2-108 |
| Students & parents' rights to review educational records,  |        |
| Prior written consent to disclose student's records,   |        |
| Disclosures to school officials, Disclosures to government agencies, Disclosures in response to subpoenas or court orders, |        |
| Disclosures in response to subpoends or court orders,  Documenting the disclosure of information                           |        |
| Establishing and Maintaining an Information Security Program   | 2_112  |
| Establishing and Maintaining an information security Program   | .2-112 |
| CHAPTER 10 – ADMINISTRATIVE CAPABILITY   |        |
| Required Electronic Processes  | .2-115 |
| Information for Financial Aid Professionals (IFAP)   | 2 110  |
| Administrative requirements for the financial aid office   | .2-118 |
| Coordinating official, Consistency of information & conflicting information,   |        |
| Counseling, Adequate staffing, System of checks and balances   | 2 121  |
| Satisfactory Academic Progress   | .2-121 |
| Qualitative component, Quantitative component, Other required components,  |        |
| Counting all periods of enrollment, Appeals and probationary/conditional periods, Reestablishing academic progress         |        |
| Sharing Information with NSLDS, the DL Servicing Center, and Guarantors  | 2-127  |
| Reporting student enrollment data to NSLDS, Updating borrower information  | ·      |
| at separation, Sharing information about delinquent/defaulted borrowers,   |        |
| Financial aid history & transfer monitoring  |        |

| Cohort Default Rates   | 2-130 |
|--|-------|
| Release of draft and official rates for FFEL and DL programs, Effect of cohort default rates,      |       |
| Default prevention & management plan,  |       |
| Withdrawal Rates   | 2-131 |
| Debarment and Suspension Certification   |       |
| Debarment of school or its principals, Certifying current or prospective                           |       |
| employees or contractors, Lower-tier covered transactions  |       |
| CHAPTER 11 – FINANCIAL STANDARDS   | 2-135 |
| General Standards for Public Schools   | 2-136 |
| General Standards for Proprietary or Private Nonprofit Schools                                     | 2-136 |
| Composite score, Refund reserve standards, Returning funds in a timely manner,                     |       |
| Compliance thresholds for timely return of funds, Letter of credit required when                   |       |
| funds are not returned in a timely manner, Exceptions to the letter of credit requirement,         |       |
| Current in debt payments   |       |
| Alternatives to the General Standards  | 2-142 |
| Letter of credit alternative for new school, Letter of credit alternative for participating school | ol,   |
| Zone alternative, Provisional certification for school not meeting standards,                      |       |
| Provisional certification for school where persons or entities owe liabilities                     |       |
| Past Performance and Affiliation Standards   | 2-145 |
| Past performance of a school, Past performance of persons affiliated with a school                 |       |
| CHAPTER 12 – PROGRAM INTEGRITY   | 2-147 |
| The Department's Role  |       |
| FSA Audit Requirements for Schools   |       |
| Simultaneous FSA audit submissions, Waivers of the FSA audit requirement,                          |       |
| Submission dates for FSA audits, FSA compliance audit submission requirements, FSA audit           | ted   |
| financial statement requirements, FSA consolidated statements, Required disclosure of 90/1         | 10    |
| revenue test, Single Audit Act and A-133 audit guidelines, Audits for third-party servicers, Ho    | aving |
| the audit performed, Review of FSA Audit submissions, Access to records, eZ-Audit                  |       |
| Program reviews  | 2-158 |
| Unannounced Program Reviews, Written report, Appealing audit and program review                    |       |
| determinations, Case management  |       |
| Reviews Conducted by Guaranty Agencies   | 2-161 |
| Corrective Actions & Sanctions   | 2-162 |
| Sanctions, Criminal penalties  |       |
| Notifying ED When a School's FSA Participation Ends  |       |
| Involuntary withdrawal from FSA participation, Voluntary withdrawal from FSA participati           |       |
| Closeout Procedures  | 2-166 |
| When participation ends, Additional closeout procedures, Unpaid commitments                        |       |
| Loss of Eligibility or Withdrawal from the Loan Programs   |       |
| Quality Assurance Program  |       |
| Experimental Sites Initiative  |       |
| FSA Assessments  |       |
| ISIR Analysis Tool   | 2-169 |